



1998 SMALL BUSINESS PROFILE

SMALL BUSINESS: HEART OF THE MASSACHUSETTS ECONOMY

The importance of small business to the state of Massachusetts is apparent in the 1998 Small Business Profile. This year's findings, compiled by the U.S. Small Business Administration's (SBA) Office of Advocacy, indicate that small businesses are vital to the state's economy. Not only do small businesses play a critical role by efficiently reallocating the state's resources and injecting new ideas into the economy with business starts and stops, but their diversity and composition provide the work force with many opportunities.

Number of Businesses - In 1997, Massachusetts had 162,792 businesses with employees; 98.1 percent of the businesses were small businesses (percent based on 1995 data for businesses with fewer than 500 workers). In addition to the number of employer businesses, the state also had 221,000 self-employed persons in 1997.

Small Business Income - The income of sole proprietors and partners rose 5.3 percent to \$13.5 billion in 1997, while wage-and-salary income rose 8.1 percent. The state also exported \$17.4 billion of goods in 1997. (In 1992, 85.6 percent of the exporters in the state were small businesses.)

Women-Owned Businesses - According to The National Foundation for Women Business Owners, as of 1996, there were 192,000 women-owned businesses in Massachusetts, including part-time firms, employing 366,300 people and generating \$49.2 billion in sales. Between 1987 and 1996, the number of women-owned businesses increased 58.5 percent.

Minority Businesses - According to the latest Bureau of the Census data, the number of black-owned firms, including part-time firms, increased 51.8 percent from 1987 to 1992, totaling 7,225 in 1992. The number of Hispanic-owned firms, including part-time businesses, rose 162.3 percent during the same time period with 6,914 firms in 1992. There has also been a marked increase in the number of businesses owned by Asian and Pacific Islanders, American Indians, and Alaskan Natives. The number for this group grew from 3,916 in 1987, to 7,009 in 1992, representing a 79.0 percent increase.

Business Turnover - Between 1996 and 1997, the number of new firms increased 6.5 percent, while new business incorporations decreased 2.9 percent. Financial difficulties leading to business bankruptcies decreased by 7.3 percent and business failures increased by 3.4 percent.

Finance - An SBA Office of Advocacy study found that the number of banks in Massachusetts decreased from 58 in 1994 to 49 in 1997. The study also found the top lenders to small businesses in FY 1997 were:

Bank Name	Location
LUZO CMNTY BK	New Bedford
BANK OF WESTERN MA	Springfield
ENTERPRISE B&TC	Lowell
MILFORD NB&TC	Milford
SLADES FERRY TC	Somerset
PARK WEST B&TC	West Springfield
CAPE COD B&TC	Hyannis
ROCKLAND TC	Rockland
FLEET NB	Springfield

Small businesses seeking loans should also consider banks that participate in SBA loan programs. To locate an SBA preferred or certified lender near you, call 1-800-8-ASK-SBA.

Job Growth - From 1992 to 1996, small businesses (fewer than 500 employees) created all of the net new jobs. The figures below indicate the importance of small businesses as job creators.

Number of Jobs Created by Major Industry and Employment Size of Firm, 1992-1996

Industry	1-4	5-19	20-99	100-499	500+	Totals
All Industries	152,604	31,304	8,189	63,528	(85,917)	169,707
Manufacturing	4,778	6,916	(373)	6,855	(59,058)	(40,883)
Retail Trade	26,376	(2,706)	(1,297)	6,682	(24,058)	4,998
Services	89,917	23,442	15,561	50,823	9,718	189,461
Other	31,533	3,652	(5,705)	(833)	(12,519)	16,131

Industries - Small firms in the state are represented in many industries. The Health Services industry is the largest small business employer in Massachusetts, followed by Eating & Drinking Places. The fastest growing industry for small business is Electric, Gas, & Sanitary Services (represents industries that were at least 0.25 percent of the 1995 total). The following three tables provide information about the small business sector in the state.

Table 1, Top Five Industries by Employment, 1995

Industry	SIC	Total Empl.	Percent of total	Percent small
Total - All Industries	1	2,735,294	100.0	51.0
Health Services	8000	353,198	12.9	37.4
Business Services	7300	208,184	7.6	50.6
Eating & Drinking Places	5800	175,494	6.4	67.8
Educational Services	8200	141,625	5.2	24.9
Eng., Acct., Research, Mngt., & Related Serv.	8700	111,332	4.1	59.1

Table 2, Top Small Business Industries by Employment, 1995

Industry	SIC	Small Bus. Empl.	Percent of total	Percent Small
Total - All Industries	1	1,395,468	100.0	51.0
Health Services	8000	132,057	12.9	37.4
Eating & Drinking Places	5800	119,070	6.4	67.8
Business Services	7300	105,268	7.6	50.6
Social Services	8300	69,196	3.3	76.3
Wholesale Trade - Durable Goods	5000	68,254	3.8	66.2

Table 3, Fastest Growing Industries in Employment for Small Business, 1994 - 1995

Industry	SIC	Small Bus. Empl. 1995	Net change	Percent change
Total - All Industries	1	1,395,468	30,247	2.2
Electric, Gas, & Sanitary Services	4900	2,736	467	17.1
Heavy Construction	1600	9,015	1,281	14.2
Building Construction	1500	18,853	2,395	12.7
Miscellaneous Repair Services	7600	6,695	644	9.6
Primary Metal Industries	3300	5,990	504	8.4

Sources: Office of Advocacy, U.S. Small Business Administration from data provided by the Department of Commerce, Department of Labor, Administrative Office of the U.S. Courts, Federal Reserve Board, Dun & Bradstreet Corporation, National Foundation for Women Business Owners, and Cognetics, Inc.